



Inter-Provincial Diversified
Holdings Limited

1980 ANNUAL REPORT

DIRECTORY

Officers

Joseph Frieberg
President

Robert Scolnick
Vice-President
Secretary

Board of Directors

Joseph Philip Dawson
Joseph Frieberg
Murray Frieberg
Murray Joseph Howe
Robert Scolnick

Auditors

Thorne Riddell
Toronto, Ontario

Executive Office

275 Belfield Road
Rexdale, Ontario
M9W 5C6

Shares Listed

Common
Toronto Stock Exchange

Registrar and Transfer Agent

The Canada Trust Company
Common Shares

HIGHLIGHTS

	<u>1980</u>	<u>1979</u>
Income	\$ 3,126,820	\$ 1,132,560
Earnings:		
Before extraordinary items	785,640	568,653
Extraordinary items	257,330	99,000
Net earnings	1,042,970	667,653
Earnings per share:		
Before extraordinary items	\$.86	\$.57
Net earnings	1.15	.67
Total assets	13,258,710	11,884,792
Shareholders' equity	6,481,105	5,607,632
Common shares outstanding	889,820	924,720
Equity per common share	\$ 7.28	\$ 6.01

HOWMARK OF CANADA

Twelve months ended December 31

Sales	\$11,691,000	\$11,625,000
Net earnings*	350,000	427,000

UNITED TIRE & RUBBER CO. LIMITED

Twelve months ended December 31

Sales	\$56,957,000	\$47,967,000
Net earnings	1,470,000	1,494,000

I.C.D.-TRI-NORTH DEVELOPMENTS

Twelve months ended December 31

Revenue	\$ 638,000	\$ 1,917,000
Net earnings*	519,000	1,151,000

I.C.D. DEVELOPMENT COMPANY OF ARIZONA, LTD.

Twelve months ended November 30

Revenue	\$ 2,244,000
Net earnings	377,000

*does not include taxes on income earned by the partnership

TO OUR SHAREHOLDERS

The Company enjoyed a satisfactory year in 1980. Consolidated net earnings before extraordinary items were \$786,000 compared with \$569,000 in 1979.

Howmark of Canada's sales for the year ended December 31, 1980 were \$11,691,000 compared to \$11,625,000 in 1979. Earnings declined to \$350,000 compared to \$427,000 in 1979. Howmark is one of Canada's largest importers of footwear. Howmark also owns 75% of Olympia Shoe(1975) Ltd., a manufacturer of shoes for men and women.

United Tire & Rubber Co. Limited's sales for the year ended December 31, 1980 increased to \$56,957,000 from \$47,967,000 in 1979. Earnings declined slightly to \$1,470,000 from \$1,494,000 in 1979. United Tire designs, manufactures, retreads and services tires for the mining, forestry, construction and transportation industries and is the only Canadian-owned manufacturing company in the tire industry.

Our real estate operations in Grande Prairie, Alberta continued to generate profits in 1980. The balance of our industrial lots were sold and the profits generated in 1980 by the partnership were \$519,000. Our residential and commercial lands comprising 152 acres are still in the planning stage and the servicing of these lands has been delayed until 1982.

Our land development in Arizona and Colorado continues to proceed according to plan. These operations generated \$497,000 in profits in 1980. We are servicing a 60-acre subdivision in the city of Sedona and lot sales are proceeding at a satisfactory rate.

We expect 1981 will prove to be another good year.

Joseph Frieberg
President

Robert Scolnick
Vice-President

June 2, 1981

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Income

Year Ended December 31, 1980

	1980	1979
Income		
Sale of land	\$1,914,718	
Share of partnership income	264,199	\$ 751,222
Interest and other income	947,903	381,338
	<u>3,126,820</u>	<u>1,132,560</u>
Expenses		
Cost of land sold	1,206,534	
Interest	723,935	397,314
Depreciation	16,099	5,518
Other expenses	529,446	375,519
	<u>2,476,014</u>	<u>778,351</u>
	650,806	354,209
Share of earnings of associated company, United Tire & Rubber Co, Limited	512,834	446,444
Income before income taxes and extraordinary items	<u>1,163,640</u>	<u>800,653</u>
Income taxes		
Current	167,000	
Deferred	211,000	232,000
	<u>378,000</u>	<u>232,000</u>
Income before extraordinary items	<u>785,640</u>	<u>568,653</u>
Extraordinary items		
Share of partnership extraordinary items, net of deferred income taxes of \$5,000	130,330	
Income tax reduction realized on application of prior years' losses	127,000	99,000
	<u>257,330</u>	<u>99,000</u>
Net income	<u>\$1,042,970</u>	<u>\$ 667,653</u>
Earnings per share (note 8)		
Income before extraordinary items	\$.86	\$.57
Net income	1.15	.67
Fully diluted earnings per share		
Income before extraordinary items	\$.83	\$.56
Net income	1.12	.66

Consolidated Statement of Retained Earnings

Year ended December 31, 1980

Balance at beginning of year	\$2,718,586	\$2,066,381
Net income	1,042,970	667,653
	<u>3,761,556</u>	<u>2,734,034</u>
Premium on common shares purchased for cancellation	12,355	15,448
Balance at end of year	<u>\$3,749,201</u>	<u>\$2,718,586</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the Laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1980

ASSETS

	<u>1980</u>	<u>1979</u>
Cash	\$ 224,092	\$ 811,981
Accrued interest, dividends and accounts receivable	168,368	228,056
Other assets	35,000	204,603
Notes receivable (note 3)	2,934,011	2,315,255
Investments (note 4)	7,073,285	5,647,663
Land held for future development, at cost	2,611,198	2,458,976
Buildings and equipment, at cost less accumulated depreciation of \$21,617 (1979, \$5,518)	212,756	218,258
	<u>\$13,258,710</u>	<u>\$11,884,792</u>

Approved by the Board

Director *Joseph Frieberg*

Director *Robert Scolnick*

To the Shareholders of
Inter-Provincial Diversified Holdings Limited

We have examined the consolidated balance sheet of Inter-Provincial Diversified Holdings Limited as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada
April 10, 1981
(May 20, 1981 as to note 10)

AUDIT

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the Laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1980

LIABILITIES

	<u>1980</u>	<u>1979</u>
Bank advances (note 5)	\$ 4,168,840	\$ 4,026,063
Interest payable and accrued liabilities	352,063	377,964
Income and other taxes payable	40,551	
Deferred income taxes	349,000	133,000
Mortgages payable (note 6)	1,867,151	1,740,133
	<u>6,777,605</u>	<u>6,277,160</u>

SHAREHOLDERS' EQUITY

Capital stock (note 7)		
Second preference shares		50,000
Common shares	2,731,904	2,839,046
	<u>2,731,904</u>	<u>2,889,046</u>
Retained earnings	3,749,201	2,718,586
	<u>6,481,105</u>	<u>5,607,632</u>
	<u>\$13,258,710</u>	<u>\$11,884,792</u>

REPORT

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for foreign currency translation as described in note 2, on a basis consistent with that of the preceding year.

THORNE RIDDELL
Chartered Accountants

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1980

	<u>1980</u>	<u>1979</u>
Source Of Funds		
Operations		
Income before extraordinary items	\$ 785,640	
Items not involving funds		
Cost of land sold	1,206,534	
Depreciation	16,099	
Income taxes	127,000	
Share of earnings of associated company in excess of dividends received during the year of \$102,265	(410,569)	
Share of earnings of partnerships	(264,199)	
	<u>1,460,505</u>	
Withdrawal of funds from partnerships	766,144	\$ 640,875
Proceeds from sale of Steintron International Electronics Ltd.		3,512,120
Net changes in		
Mortgages payable	127,018	1,740,133
Dividends receivable		82,500
Other assets and liabilities	468,316	
	<u>2,821,983</u>	<u>5,975,628</u>
Application Of Funds		
Operations		
Income before extraordinary items		(568,653)
Items not involving funds		
Depreciation		(5,518)
Income taxes		(99,000)
Share of earnings of associated company in excess of dividends received during the year of \$281,506		164,938
Share of earnings of partnerships		751,222
		<u>242,989</u>
Investment	100,439	146,715
Partnership interests	1,281,229	2,699,475
Redemption of common shares	119,497	238,434
Redemption of second preference shares	50,000	100,000
Purchase of land	1,358,756	2,458,976
Purchase of buildings and equipment	10,597	223,776
Net changes in		
Dividends receivable	13,375	
Notes receivable	618,756	70,057
Other assets and liabilities		75,445
	<u>3,552,649</u>	<u>6,255,867</u>
Decrease In Funds Position	<u>\$ 730,666</u>	<u>\$ 280,239</u>
Funds Are Defined As		
Cash	\$ 224,092	\$ 811,981
Bank advances	4,168,840	4,026,063

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Notes to Consolidated Financial Statements

as at December 31, 1980

1. Accounting Policies

- (a) Basis of consolidation
The consolidated financial statements include the accounts of Inter-Provincial Diversified Holdings Limited and all of its subsidiary companies.
- (b) Foreign currency translation
Assets and liabilities in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Revenues and expenses in foreign currency are translated into Canadian dollars at the average rate of exchange for the year.
- (c) Depreciation
Depreciation is provided as follows:
- | | |
|------------------|-----------------------|
| Buildings | 5% straight line |
| Office equipment | 16 2/3% straight line |
| Automobiles | 20% straight line |

2. Change in Accounting Policy

At December 31, 1980 the company changed its method of accounting for foreign currency translation of investments in partnerships, land, buildings and equipment and mortgages payable. At December 31, 1980 these assets and liabilities are translated at the rate of exchange as at the balance sheet date. Prior to the change, these amounts were translated at historical rates of exchange. This change has not been applied retroactively as the effect on prior year's financial statements would not be material.

As a result of this change, net income in the current year has increased by \$84,969.

3. Notes Receivable

Demand notes receivable from partnerships in which the company has an interest. Interest charged on these notes in 1980 amounted to \$376,942	1980 \$1,913,713	1979 \$2,315,255
Notes receivable due in 1981	551,148	
Instalment notes receivable maturing from 1982 to 1990	469,150	
	<u>\$2,934,011</u>	<u>\$2,315,255</u>

4. Investments

United Tire & Rubber Co. Limited (i)	1980	1979
Shares at equity value	\$3,397,094	\$2,969,851
1,022,650 Class A special shares (1979, 1,014,200 shares)		
111,111 7% Cumulative convertible first preference shares		
400,000 10% Cumulative convertible second preference shares		
9% Debentures maturing to June 1, 1981 (less principal included in other assets)		35,000
	<u>3,397,094</u>	<u>3,004,851</u>
Other shares and advances at equity value	211,459	124,032
Partnership interests at equity value (ii)		
Howmark of Canada	1,180,996	1,054,069
Real estate development partnerships	2,222,203	1,434,516
Other investments, at cost	61,533	30,195
	<u>\$7,073,285</u>	<u>\$5,647,663</u>

(i) United Tire & Rubber Co. Limited

The company's holdings of Class A special shares represent a 40.65% interest. If all of the United Tire & Rubber Co. Limited first and second preference shares were converted to Class A special shares, the company's holding would represent a 38.69% interest.

(ii) Partnership interests

The company is contingently liable for the portion of the partnerships liabilities not reflected in this consolidated balance sheet. Against this contingent liability, the company has the right to the related assets of the partnerships which assets have a book value in excess of the contingent liabilities.

5. Bank Advances

The bank advances are secured by a general assignment of book debts, the common and preference shares representing the company's holdings in United Tire & Rubber Co. Limited, the debentures of United Tire & Rubber Co. Limited, an assignment of the company's 50% interest in Howmark of Canada and an assignment of mortgages on land in Alberta and Arizona.

6. Mortgages Payable

Mortgages are payable in United States funds and bear interest at rates which range from 8½% to 10%. Principal repayments are as follows:

1981	\$ 353,945
1982	360,313
1983	373,755
1984	125,738
1985	136,610
1986 and subsequent	516,790
	<u>\$1,867,151</u>

7. Capital Stock

Authorized	1980	1979
500,000 First preference shares of \$10 par value, issuable in series		
Nil Convertible second preference shares of \$1 par value (1979, 50,000 shares)		
2,000,000 Third preference shares of \$2 par value		
10,000,000 Class A shares without par value		
1,749,569 Common shares without par value (1979, 1,784,469 shares)		
Issued		
Nil Second preference shares (1979, 50,000 shares)		\$ 50,000
889,820 Common shares (1979, 924,720 shares)	\$2,731,904	2,839,046
	<u>\$2,731,904</u>	<u>\$2,889,046</u>

During the year the company purchased and cancelled 34,900 common shares. Share capital was charged with the assigned value of \$107,142. The cost in excess of the assigned value was charged to retained earnings. In 1980, 50,000 second preference shares were redeemed, thereby reducing the authorized second preference shares to nil.

8. Earnings Per Share

Basic earnings per share have been calculated using the weighted monthly average method after giving effect to common shares purchased and cancelled. Fully diluted earnings per common share assumes the conversion of preference shares and the exercise of share options of the associated company, United Tire & Rubber Co. Limited.

9. Segmented Information.

The company develops real estate in the United States. The company also derives income from investments in Canada and the United States accounted for using the equity method.

	1980			1979		
	United States	Canada	Total	United States	Canada	Total
Real estate development						
Sale of land	<u>\$1,914,718</u>		<u>1,914,718</u>			
Operating income	\$ 803,129		\$ 803,129	\$ (191,225)		\$ (191,225)
Share of partnership and affiliated company income	(45,206)	\$ 259,350	214,144	(30,705)	\$ 575,571	544,866
	<u>757,923</u>	<u>259,350</u>	<u>1,017,273</u>	<u>(221,930)</u>	<u>575,571</u>	<u>353,641</u>
Tire manufacturing and distribution						
Share of associated company income		512,834	512,834		446,444	446,444
Shoe manufacturing and distribution						
Share of partnership income		39,628	39,628		213,868	213,868
	<u>\$ 757,923</u>	<u>\$ 811,812</u>	<u>1,569,735</u>	<u>\$ (221,930)</u>	<u>\$1,235,883</u>	<u>1,013,953</u>
Interest and other income			323,115			265,611
Corporate expenses			(729,210)			(478,911)
Income before income taxes and extraordinary items			<u>\$ 1,163,640</u>			<u>\$ 800,653</u>
Identifiable assets						
Real estate development						
Operating assets	\$5,079,649		\$ 5,079,649	\$ 4,732,689		\$ 4,732,689
Investment in partnerships and affiliated companies, at equity value	<u>2,050,455</u>	<u>\$ 383,207</u>	<u>2,433,662</u>	<u>1,334,691</u>	<u>\$ 223,857</u>	<u>1,558,548</u>
	<u>7,130,104</u>	<u>383,207</u>	<u>7,513,311</u>	<u>6,067,380</u>	<u>223,857</u>	<u>6,291,237</u>
Tire manufacturing and distribution						
Investment in associated company, at equity value		3,397,094	3,397,094		2,969,851	2,969,851
Shoe manufacturing and distribution						
Investment in partnership, at equity value		1,180,996	1,180,996		1,054,069	1,054,069
	<u>\$7,130,104</u>	<u>\$4,961,297</u>	<u>12,091,401</u>	<u>\$ 6,067,380</u>	<u>\$4,247,777</u>	<u>10,315,157</u>
Other assets			1,167,309			1,569,635
			<u>\$13,258,710</u>			<u>\$11,884,792</u>

10. Subsequent event

On May 20, 1981, the company and its wholly-owned subsidiary, I.C.D. Realty Limited, entered into an agreement providing, subject to shareholder approval, for the amalgamation of the companies effective January 1, 1982. Under the terms of the agreement each common share of the company will be exchanged for one common share of the amalgamated company.

FIVE YEAR FINANCIAL REVIEW

	1980	1979	1978	1977	1976
Howmark of Canada					
Sales	\$11,691,000	\$11,625,000	\$ 9,218,000	\$ 7,606,000	\$ 6,665,000
Net earnings*	350,000	427,000	422,000	243,000	394,000
United Tire & Rubber Co. Limited					
Sales	56,957,000	47,967,000	38,058,000	31,894,000	28,517,000
Net earnings	1,470,000	1,494,000	1,805,000	729,000	134,000
I.C.D.-Tri-North Developments					
Revenue	638,000	1,917,000	2,723,000	358,000	
Net earnings*	518,000	1,151,000	1,077,000	93,000	
I.C.D. Development Company of Arizona, Ltd.					
Revenue	2,244,000				
Net earnings	377,000				

* does not include taxes on income earned by the partnership



Inter-Provincial Diversified
Holdings Limited